Laurel Hill Project Advisory Committee
Questions and Responses

Responses to questions posed by the Laurel Hill Project Advisory Citizens Oversight Committee regarding the Laurel Hill Master Plan. Responses prepared by The Alexander Company, and staff as noted.

1. Financial Analysis (Conclusions and Recommendations)
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1. Financial Viability and Sustainability

Is there an opportunity for the County to determine the financial viability and sustainability of the Alexander Company Master Plan approach by contracting with an independent consultant? In particular, the consultant review should answer the following questions:

a. **Does the project contain enough residential, commercial and retail development density (critical mass) to be viable and sustainable?**
b. **Do costs associated with rehabilitation and maintenance of historic structures render the reformatory-penitentiary site too expensive for residential and commercial tenants?**
c. **Are the assumed commercial and retail lease rates for the site competitive?**
d. **What is the assessment of a possible special tax district or tax increment financing to help close the project's financial gap?**
e. **What is the assessment of the County proposal to maintain ownership of all land at the adaptive reuse site, including land used for owner-occupied dwellings?**
f. **What is the projection of office/retail rental rates in 2011 and later years when the project is likely to be implemented?**

The *Laurel Hill Adaptive Reuse Area Master Plan Financial Assessment* can be found on the Laurel Hill website at:
http://www.fairfaxcounty.gov/dpz/laurelhill/master_plan/master_plan_assessment_draft_100909.pdf
Following are the Conclusions and Recommendations from the report.

CONCLUSIONS AND RECOMMENDATIONS

The assessment of the Alexander Company's Financial Feasibility Analysis found the study to be based upon reasonable market assumptions and reflective of sound real estate fundamentals and decision making given the preliminary nature of the "master plan" scope of services and the status of the planned development program. The assumptions for the analysis are based on extensive market research in the local area and generally well supported by third party studies and prior experience with similar development projects. The analysis logically sums the estimated financial surplus or gap for each use with the infrastructure and other costs of the overall development to estimate the overall financial gap of the project.

It is important to note that projecting the financial gap at this stage in the pre-design and planning process is not a precise science due to the dynamic nature of the market, especially during these turbulent times. As a result, the conclusions of the Alexander Company's feasibility analysis and this assessment are not intended to produce precise results, but rather, reasonable estimates of the financial gap and a general idea of the economic impacts to Fairfax County.

Given the drastic correction in market rents recently, rising cap rates, and a depressed for-sale market, values are likely lower than estimated by the Alexander Company. However, this drop in value is offset by the drop in construction costs over the past several months. Thus, on balance, the financial gap is still estimated to be within the $9-12 million range if the project was to be financed today.

In any event, the market will recover and general consensus is that it will recover sooner and stronger in the DC area relative to the rest of the nation. Furthermore, any hint of a recovery will push rents higher and cap rates will compress as money on the sidelines eagerly waits for any positive sign to jump into the DC market. As a result, it will not take much of an increase in rent before values improve significantly and the financial gap of the project closes. There is a fair probability that this will happen as the project is being entitled, designed, and delivered over the next two to three years.

The recommendations listed below refer to next steps the County should consider as the project progresses through the pre-development phase. These recommendations build off of the work that has already been performed by the Alexander Company and are not essential to evaluating the proposed master plan at this time.

Recommendation – Financial Assumptions
Update Market and Construction Data. Although the Alexander Company's market studies were detailed and appeared to contemplate the difficult economic environment in 2008, the outlook for the future has changed over the last year. As the project evolves beyond the proposed master plan, new market and construction cost estimates for the development period and the leasing period should be incorporated.
Conduct Sensitivity Analyses. Although the Alexander Company's analysis used reasonable and available data for its financial assumptions, there is a great deal of uncertainty about these variables over the next few years. Thus, as the project moves forward, Fairfax County should ensure that the project developer conducts sensitivity analyses around individual variables to determine which variables pose the greatest financial or project risk to the County.

Recommendation – Discounted Cash Flow Analysis
Combine the analyses of the development (construction and lease-up) and operating periods of the overall project into one discounted cash flow (DCF) before a development agreement is structured. A DCF analysis is critical to understanding overall value of the project over time and determining its viability in the near and mid-term. In addition, one consolidated model will allow for greater transparency and understanding of how each use affects the financing gap/surplus. Also, cash flow segmented into quarterly or monthly time periods will better illustrate when debt and equity funds are needed.

Recommendation—Discounted Cash Flow Analysis from an Investor/Joint-Venture Perspective
Develop multiple scenarios for how the public/private partnership would be structured between the developer and Fairfax County. This analysis would identify how much construction, capital market, valuation, lease-up, and operating risk each party assumes and when.

Recommendation—Fee Simple Transfer of Townhome to Buyers
Ensure the ability to transfer townhomes through a fee simple sale. Leasehold ownership of townhomes is very rare in Virginia and the Mid-Atlantic region and there are a limited number of buyers in the market familiar with this type of ownership structure. As a result, the requirement to use a leasehold structure would likely impair the value of the townhome property. Even in states where leasehold ownership is more common, such as in Hawaii, there is a still a great deal of uncertainty regarding this type of sale and market values often suffer as a result.

2. Historic Tax Credits

a. **Does the Virginia Department of Historic Resources review the entire site when considering an application for state historic tax credits or is their review project specific?**
b. **Does a National Park Service or VDHR review the reformatory-penitentiary site and the Workhouse (Lorton Arts Foundation) site when considering a tax credit application?**

The Department of Interior regulations governing the historic preservation tax incentive program state:

> For rehabilitation projects involving more than one certified historic structure where the structures are judged by the Secretary to have been functionally related historically to serve an overall purpose, such as a mill complex or a residence and carriage house, rehabilitation certification will be issued on the merits of the overall project rather than for each structure or individual component. [36 CFR Part 67.6(b)(4)]

The buildings at the reformatory-penitentiary site were functionally related while the prison was open, therefore an evaluation for the purpose of historic tax credits will focus on the entire reformatory-penitentiary site rather than an evaluation of each individual building. VDHR must determine that the entire reformatory-penitentiary project is consistent with the Department of the Interior's Standards for Rehabilitation in order for the project to be eligible for tax credits.

The proposed rehabilitation and future uses of the buildings at the Workhouse (Lorton Arts Foundation) site were reviewed by VDHR and the project was awarded state historic tax credits. The buildings at the Workhouse were deemed to be functionally related to one another and the tax credits were granted without caveats related to the redevelopment of the reformatory-penitentiary site. In effect, VDHR made the determination that the redevelopment of the Workhouse is a separate project from adaptive reuse of the buildings at the reformatory-penitentiary site. Therefore, work at the reformatory-penitentiary will not affect the tax credits awarded for the redevelopment of the Workhouse buildings, and the development at the Workhouse will not affect the tax credits for the reformatory-penitentiary project.

3. Ball field area

a. **Please discuss the position of historic preservation stakeholders regarding your proposed use of the ball field for new construction. (*Staff response*)**

Virginia Department of Historic Resources (VDHR) VDHR submitted comments on the Revised Master Plan indicating the proposed development in the ballfield may raise issues with the Memorandum of Agreement (MOA) and the tax credit program. VDHR subsequently provided clarification regarding their willingness to consider additional historical information about past uses of the ballfield area when reviewing the project for tax credit eligibility. This information, showing the previous use of the ball field area as a general recreation area, prompted VDHR to state that an open space and recreational area should be retained on the site and that appropriate new construction may be sited at the perimeter or adjacent to the open space. Staff notes that the Master Plan proposes an open space and recreational area at the

"Central Park", and that the new residential development is proposed adjacent to the open space. VDHR also noted that the development of the adaptive reuse site as shown on the Revised Master Plan is an excellent candidate for the rehabilitation tax credit program.

Fairfax County History Commission The History Commission voted to delay taking a position on the Master Plan until such time as specific issues raised by the community and listed in VDHR's May 2009 review letter are addressed. These issues include ball field and industrial building demolition. The History Commission noted that upon resolution and consensus among those involved they may reconsider the matter. Several History Commissioners indicated concern and opposition to the loss of the ballfield.

Lorton Heritage Society Members of the Lorton Heritage Society and the South County Hawks presented an alternate plan that included a 90-foot baseball field on-site and the re-location of a retail pad into a residential neighborhood. A more detailed response to the alternate plan is discussed below in item "d".

b. Please provide a detailed response to a proposal by a member of the South County Hawks baseball organization to preserve the ball field area by relocating the proposed town homes.

An alternate redevelopment plan ("alternate plan") proposed retaining a 90' ball field by reducing the size of the outfield and moving home plate closer to the grandstands. An outfield retail loop similar to Camden Yards was suggested. The proposal suggested relocating displaced town homes to an area south of the reformatory.

The Alexander Company carefully considered a variety of options for the ball field area, including the proposed alternate plan for retaining a baseball ball field on the site. The use of the open space as a civic green rather than a baseball field is proposed for a number of reasons:

1. The alternate plan places single-family homes immediately adjacent to, or abutting, the baseball field. The configuration creates marketability issue for those homes stemming from the limited use, aesthetics and the perceived dangers associated with proximity to baseball games and practices.
2. The alternate plan baseball field requires safety considerations, such as fencing, that further limits the use of space by the general public.
3. A dedicated baseball field with dirt infield and fencing limits the recreational activities and opportunities for the general public.
4. The alternate plan places a retail pad in a residential neighborhood. The land configuration is not viable because there is not adequate space allocated for the retail space and required parking. Furthermore, the location lacks access and visibility and would not be an attractive location for retailers or adjacent residential neighbors.
5. A civic green is an adaptable space for a wider variety of uses by a wider segment of the population.
6. A civic green can incorporate trees, walkways, playground equipment, and/or shelters that benefit a broad array neighbors and community members.

7. A central gathering place can be a hub for the community to experience the adaptive reuse site; a place to enjoy picnics, family reunions, concerts, or farmers markets. It can be a place to throw a Frisbee or play a pick-up game of soccer, football, or any number of sports. A baseball field is limited in use to a very specific user-group.

County staff is committed to providing a replacement baseball field in South County. This baseball field could come about as the result of a proffered condition by the developer of the adaptive reuse site, a proffered condition from another development in South County, or through funding not yet identified. The new baseball field could be located at the newly exchanged park property adjacent to the proposed middle school, on the middle school property itself, within the Northern Virginia Regional Park along the Occoquan, or some location not identified. The timing of the construction of a replacement field is not known at this time; however, the County is committed to ensure no stoppage in baseball play by users of the adaptive reuse field.

4. Town Homes

a. What are the estimated costs of the town homes?

The plan envisions a variety of housing types and price points generally positioning the homes at the higher end of the Lorton housing market. It is estimated that the average sales price for homes will be approximately $400,000.

b. If Fairfax County continues to own the reformatory-penitentiary site, please explain in detail how homeowners gain appreciation in the value of their homes.

The implementation of the Master Plan will likely require the sale of single-family homes to prospective homeowners. Single-family homeowners will enjoy all of the appreciation on their homes while Fairfax County benefits from an increased tax base and the reactivation of a blighted site.

Staff: Fairfax County intends to retain ownership of the historic buildings but must coordinate further with the General Services Administration prior to any development agreement to implement the proposed Master Plan.

5. Housing Design

a. Please provide examples of other housing designs, in addition to town homes, that could be utilized at the reformatory-penitentiary site.

The Master Plan calls for the construction of 181 owner-occupied townhomes. The buildable (open) areas allow for the construction of homes with a diverse array of layouts designed to appeal to a wide variety of buyers. The housing mix can include two and three-level attached single-family homes (‘townhomes’ and ‘villas’) as well as a limited number of detached single-family homes.

Attached homes can reflect a variety of designs including three and four-unit configurations and denser configurations designed to create walkable and interesting streetscapes. The Master

Plan envisions varied access to the homes; a common theme of "connectivity" is planned throughout the development, connecting the entire community via green walkways, bike paths and roads, weaving the site into the fabric of the surrounding neighborhood. Garage entries are oriented towards alleys, where possible, allowing for unfettered main entries off of the street-side elevations.

A Neighborhood Concept Diagram for a portion of the site is included as part of the Final Master Plan. This diagram demonstrates how a variety of housing designs could work at the adaptive reuse area. Specific building design is outside the scope of the Master Plan. While the Master Plan identifies locations for owner-occupied housing, the selected developer should conduct design charrettes with community organizations and other stakeholders to define the appropriate style of owner-occupied homes on the site. Specific design determinations are part of the next phase of the project.

Follow up: While the response indicates that more specific design is a component of the next phase of the project, there is a lost opportunity to highlight the quality of design. Can Alexander, in concert with their architect, provide more specific interior and exterior illustrations of housing designs?

Staff: The preparation of project exterior or interior illustrations and designs is premature for Master Planning as these design details are not known at this time. Speculating on the design features of the project is not advised; exterior designs for both rehab and new construction must be coordinated with the Architectural Review Board and interior designs will result from detailed space planning. The intent and scope of the Master Plan is to show proposed land uses and general locations for these uses. The Alexander Company suggests that the selected developer conduct a series of design charrettes to identify community design preferences.

Examples of adaptive reuse project exteriors and interiors by The Alexander Company can be viewed on their website: http://www.alexandercompany.com/

6. Rental Housing Units

Alexander estimates that the proposed rental units in the reformatory site will be positioned in the market for approximately $900.00 per month to $1,600.00 per month, and rented by families making $34,000 - $64,000 – plus.

a. Isn't this below Fairfax County's median income for individuals?

The vast majority of the rental units will be set at the market rate for apartments in the Lorton area. Households tend to spend 30% of their income on housing, making the more expensive units appropriate for renters earning a minimum annual salary of $64,000. The less expensive magnet units are fewer in number and are targeted toward specific renters to be determined in conjunction with Fairfax County. The Fairfax County AMI (FY 2009) for an individual (family size of one) is $71, 890.

b. Even with historic tax credits, doesn't this place the responsibility of paying for restoration and maintenance of contributing structures, such as the penitentiary wall, the prison chapel and other buildings, on the owners of the town homes, the occupants of office space and the county?

A complex adaptive reuse site such as this requires balanced land uses to meet the needs of the County while also paying for a fair share of the site improvements and maintenance. The Master Plan attempts to determine the value of the site and assign proportionate costs to the proposed end users. The Alexander Company explored a variety of pricing options for the reformatory apartments and selected a pricing program that allows building rehabilitation, creates a livable environment, and supports the economics of the project. Nevertheless, the apartments cover only a small portion of site costs. Capital generated from the retail development and from the sale of single-family homes, coupled with support from tax credit equity help close the financial gap and fund extraordinary site costs.

Follow up: Please ask Alexander to provide detail - Which site costs are extraordinary?

Extraordinary costs refer to shoring up the chapel, stabilizing Tower #5, improving the remaining towers, and removing selected wall panels and structurally repairing the wall. The Master Plan financial analysis lists these costs under the heading "Extraordinary Historic" and estimates them to be $1.7M.

7. Office Rents

Alexander's Summary of Findings, dated September 10, 2008, identified the following:
Class A office Properties Rental Rate of $35.75/ sq. ft - 4.4% vacancy rate
Class B & C Properties Rental Rate of $19.91/ sq. ft. - 5% vacancy rate

a. Are the proposed office uses at the penitentiary site Class A, B or C rental properties?

Unique and open office spaces are proposed in the historic penitentiary buildings. The offices will appeal to niche office users such as small architecture, engineering, or advertising firms and are anticipated to rent for approximately $20/sf. Rents are comparable to Class B office space. See the Financial Analysis for further information related to rents.

Construction of a 40,000 square foot office building in Lorton Station is nearly completed. The medical office building at Lorton Marketplace is still vacant.

b. How does this [Master Plan commercial space] compare to the rental and vacancy rates at Lorton Station and Lorton Marketplace? What makes the 50,000 square feet of proposed office space at the penitentiary site competitive with other nearby sites?

Lorton Marketplace and Lorton Station are primarily retail centers and were not included in the office market study.

New buildings may experience vacancy or take some time to "lease up," however, the overall office market in the Lorton area is strong enough to develop 50,000 sf of the type of office space proposed for the Adaptive Reuse Site. The vacancy rate in the current market is a very low 5% and job and population growth remains promising for the area.

The Lorton Station and Lorton Marketplace buildings, referenced above, include a targeted medical office building. Both buildings are new and are in the lease up stage of development. These buildings represent some of the only office space in Lorton Station and the Lorton Marketplace, which are primarily retail centers. Therefore, there is not a stabilized office product in these locations from which to compare vacancy rates. The assumed rents at the adaptive reuse site are set at $8.00/sf below the published rents for these projects. It is important to recognize that the office space proposed in the Master Plan is not medical office space and will not be available on the market for 3-5 years.

The adaptive reuse site will be competitive based on the mix of uses and the uniqueness of the site and buildings. Tenants in the office buildings will enjoy high ceilings, open space, access to the county trail system, and conveniently located retail and restaurant amenities. The buildings will offer ideal space for small to medium sized firms that are local to the Lorton area. See the Financial Analysis for further information related to commercial office space.

c. Do the added costs of preservation and maintenance of historic structures make the penitentiary office spaces less attractive?

The additional upfront costs and ongoing maintenance created by historic preservation has the effect of creating a financial gap. The gap and strategies to decrease the gap are addressed in the financial analysis section of the Master Plan. Maintenance costs are also budgeted in this analysis. In order to ensure that commercial space is competitive, these costs cannot be passed on to the tenants. Once restored, the maintenance costs of the commercial space should not be extraordinary compared to other commercial space.

8. Magnet Housing Units

Alexander Company: The 53 proposed magnet housing units are potentially eligible for Virginia's Low-Income Housing Tax Credit Program:

The Alexander Company has successfully utilized the Low-Income Housing Tax Credit program numerous times; most recently at National Park Seminary in Silver Spring, MD, and the Professional Building in Kansas City, MO. The program has proven to be a valuable tool for creating diverse housing options and redeveloping challenging sites into high quality apartments. The rental housing component at National Park Seminary is 61 units. The total project cost of $22 million generated $8.8 million in Low-Income Housing Tax Credit equity utilizing the 9% program. The Professional Building was financed using the 4% program and generated $7.5 million in State and Federal Low-Income Housing Tax Credit equity for 132 units with a total project cost of $21 million.

a. Who determines which occupational group is eligible?

The County, in conjunction with the developer selected to implement the Master Plan, determines the appropriate format for the magnet housing program. Program considerations include the housing needs of the County, length of the proposed program, and the feasibility of a program consistently leasing the apartments. Options that include housing for public employees will be explored.

Staff: The maximum household income level for magnet housing is 70% of Fairfax County area median income. The Master Plan assumes use of housing tax credits for the magnet housing units. With the use of housing tax credits, the maximum household income level for the units is 60% of area median income. In 2008, some examples of County and School employees that met the 60% AMI income limit included police cadets, clinic room aides, administrative assistants, day care center teachers, and library aides.

Specific partners and program details will not be developed until a developer is hired for the site. Program details such as how long individuals or families reside in a unit, and who is eligible to live in a unit are individualized based on specific positions and/or training programs identified by the partner(s). The following table shows current (FY 2009) Area Median Income in Fairfax County. AMI for an individual (family size of one) is $71, 890.

Family size	**Area Median Income**		
		60%	**70%**
1	$71,890	$43,134	$50,323
2	$82,160	$49,296	$57,512
3	$92,430	$55,458	$64,701
4	$102,700	$61,620	$71,890

b. Explain how this government-sponsored program can be restricted to particular occupational groups.

The Housing and Economic Recovery Act of 2008 (HR 3221) created opportunities to limit tenancy on projects that utilize federal subsidy. Among other classes of tenants, the bill allows occupancy restrictions or preferences that favor tenants who are members of a specified group under a Federal program or a State program or policy that supports housing for such a specified group.

Staff: Inclusion of the 53 units into a magnet housing program requires coordination with the County to identify a program need, and to confirm with the developer that their use of a tax credit does not limit the ability to target the units to a specific occupational group. Housing opportunities for persons engaged in professions such as the public sector and health care requires direct marketing of the 53 units to target groups, provided such marketing is

conducted in a non-discriminatory basis in conformance with the Fair Housing Act and all other applicable laws and regulations. Conversations with the County Attorney's Office confirms that the selected developer must use their tax credit legal counsel to investigate the opportunities and restrictions the Federal or State credit programs might impose on a magnet program at the Adaptive Reuse site.

Please refer to the Housing Fact Sheet prepared by staff for additional information related to housing at the Adaptive Reuse Site.

c. **Do the magnet housing units substitute for the County's affordable/workforce housing requirements? If not, how many affordable/workforce units are required?** *(Staff response)*

The Zoning Ordinance requires Affordable Dwelling Units (ADUs) at a maximum percentage of up to 12.5% of the units on the site. This would likely generate approximately 44 affordable units on the site (out of the total 352 units on site). Upon establishment of the tax credit program, the developer may seek the Zoning Administrator's approval of an equivalent program under Section 2-816 of the Zoning Ordinance allowing the tax credit units to satisfy the ADU requirements of the Zoning Ordinance. The provision of these 53 units, subject to Zoning Administrator approval, will meet (and exceed) the affordable housing requirement for the project.

According to the Alexander Company's plan, "In 2009, a resident's household income would be restricted to $43,140 for a one person household and $59,300 for a two person household. Rents for 1BR and 2BR units would be restricted to $1,107 and $1,279 respectively"

d. **How does this compare to incomes for county police, teachers and firefighters? (***Staff response*)

The two-person household income listed as $59,300 is an error and should read $49,300 for a two-person household. Teachers, police officers and firefighters would fall above the 60% AMI income limit, however positions such as police cadets and instructional assistants would meet the requirements.

9. The Green Areas

a. **The scale of the internal courtyards and (proposed) converted ball field appear very large in relation to the scale/density of the onsite population and nearby neighbors who might use these spaces. Please comment.**

The site has large open spaces to accommodate a wide variety of activities including concerts, sports, and farmers markets. While it is anticipated that all of the open spaces will be public, each space will have its own character and natural level of activity. The courtyards in the penitentiary (Northern Green: 0.73 acre) and reformatory (Great Lawn: 1.66 acre) will be oriented towards the office users and apartment residents respectively. The centrally located

civic green (Central Park: 1.73 acre) will be oriented more to the public and will be programmed with concerts, farmers markets, and other community activities. All of the spaces will be amenities for people using the County trail system.

b. Alexander has talked about festivals and farmers markets in the green areas. Who will be responsible for operating these events? Who pays for maintenance, security, etc.?

The project developer can conceivably take on the responsibility of programming events and providing security. The Alexander Company bases this on their own experience related to the management, maintenance, and security of facilities and partnering with non-profit organizations or agencies to program events. The Master Plan does not assign these responsibilities at this time. The county is expected to be a part of any final decisions about responsibility, management, and security. The projected budget in the financial feasibility analysis includes funds for management and maintenance.

10. Neighborhood Retail and Mixed Use

The plan calls for 41,400 square feet of Neighborhood Retail and Mixed Use. This includes 8,000 square feet of the Power Plant which is located within the site and away from any main entrance.

a. Isn't the power plant to be stabilized and secured until a user is identified and a full renovation can be completed?

Identifying the right user for the power plant can result in unlocking the plant's great potential for the site. Potential uses for the plant are a restaurant or other specialty retail space. The building could potentially bring visitors to the site and give the community an interesting way to experience the former Lorton Prison. Making this a reality requires the identification of a specific use and user who can build out the space to meet their specific needs. If a user is not identified during the entitlement process, the Master Plan budget allows for the clean up and stabilization of the building until a user is identified. The 8,000 sf building is included in the Neighborhood Retail and Mixed Use square footage summary because the ultimate use of the building is expected to fall into this category.

11. Pad Sites

The draft plan calls for 55,000 square feet of mixed-use and retail pad sites. One pad site is external to the site and adjacent to the penitentiary wall. The other pad site is adjacent to the ball field.

a. What is the estimated square footage of each pad site?

The pad sites offer a way for the developer of the site to offer more services, retail, and restaurants for neighbors to enjoy. The land area of the pad site located at the intersection of Silverbrook Road and White Spruce Way is approximately 35,000 sf. The land area of the pad site adjacent to the existing ball field is approximately 20,000 sf. Combined, the two sites can

accommodate approximately 20,000 sf of development for restaurant, retail, service retail or office uses.

b. What is the viability of the retail pad site adjacent to the ball field? It appears only to serve the proposed residential units in the ball field area and provides no incentive for external visitors to the site.

The pad site adjacent to the existing ballfield (proposed as a central green for the community) will most likely be used for service retail uses such as a dentist office, yoga studio, or personal investment firm. Service retail uses tend to require less visibility than consumer goods merchandising or restaurants. The attractiveness of this location stems from easy access from Silverbrook Road and its adjacency to the proposed civic green space. The uses envisioned for this pad site will be geared toward the general public.

Follow-up: The response says the pad site adjacent to the ball field will be geared toward the general public. Given Alexander's comments regarding the Village Center concept, I'm still not sure why this pad site would do any better. Please ask them to elaborate.

This pad site is located on one of the property's primary access points – the proposed access road from Silverbrook Road – and is expected to be a viable location. Some public comments requested commercial or retail components deeper into the site. This pad site appears to be the best option for an interior use that does not put the development at risk. Successfully drawing people into the site could portend the future success of the Power Plant as a commercial or retail use. The proposed location makes it convenient for residents, office tenants, and visitors to the civic green.

12. Timeframe for Development

a. What is your planning horizon for the reformatory-penitentiary project? (*Staff response***)**

Upon approval of a Master Plan, the County will initiate coordination activities with GSA and begin the negotiation of a development agreement. These two items could take approximately six to eight months to complete. The development review process (including a rezoning, plan amendment and site plan review) is estimated to be approximately two years in length. Construction would take approximately 18-24 months to complete.

Assuming GSA coordination and the negotiation of a development agreement are completed by the end of 2010, construction could begin on the site in 2012.

b. Would condominiums, such as those suggested for the Reformatory site in the Comprehensive Plan, become more feasible with a longer planning horizon?

In a general sense, the market for condominiums is likely to improve over the next five years. However, the peak of condominium development did not translate to a strong condominium market in the Lorton area. Condominiums are not a proven product type in the Lorton market

so it is unlikely that a longer planning horizon would greatly increase the feasibility of condominium development on the site.

Staff notes that the Comprehensive Plan recommends loft-type residential units (magnet and market rate) for the Reformatory dorms, and recommends loft/condominiums for the village center area (industrial shop/dorm buildings in the Reformatory). The Plan does not elaborate on, or define, the ownership structure of the condominium units. The Master Plan recommends loft-type residential units in the entire Reformatory area, as is recommended in the Comprehensive Plan.

13. Guard Towers

a. Given that the towers are significant features, and given that the neighboring Spring Hill community HOA has registered its concerns over uses of the towers that may be intrusive to the privacy of its residents, what uses of the towers are there that do not include--or at least greatly restrict--public access?

The privacy concerns of Spring Hill residents require County, developer, and community coordination and the careful selection of any towers with public access for tours. Towers not used for tours or commercial purposes will be restored and access restricted.

14. Roadways

a. The Fairfax County Architectural review Board (ARB) registered concern about the overall circulation pattern in terms of design, carrying capacity, and location of ingress points. Related to roadways were parking issues, both for the commercial/retail components and for residential locations (i.e., too much in the first instance and not enough in the second). Explain the rationale for the current roadway design and address categorically the concerns raised by the ARB.

The Fairfax County Department of Transportation, the Virginia Department of Transportation, and Wells and Associates each reviewed the proposed site ingress and egress points and made preliminary determinations affirming the feasibility of these points to adequately serve the needs of the site. A more detailed traffic analysis (a Chapter 527 Review) will be required during the development review process, and will include further review by state and local agencies.

The number of parking stalls included in the Master Plan can adequately serve the proposed uses and were calculated based on the Fairfax County zoning regulations.

The internal streets are organized in a hierarchy of primary, secondary, and local streets. There are also alleys that serve the residential units. The primary and secondary streets are designed to carry most of the traffic on the site while the local streets and alleys will serve a limited number of users. All of the streets will have sidewalks and will be sized and designed to accommodate the amount of traffic appropriate for each use. The primary access points for the office and retail will be the new entrance on Silverbrook Road and the entrance at Silverbrook

Road and White Spruce Way respectively. The primary access point for the residential portion of the site will be from Lorton Road.

15. Paths

a. **Elaborate on how the pedestrian features of the plan relate to the overall Laurel Hill trail plan (Cross-County Connector, Giles Run Trail, etc.). Address the concerns about wall penetrations for pedestrian ingress/egress and concerns by Spring Hill to keep non-SH users out of their gated community.**

Pedestrian access (and bicycle access) into the site is provided via the Greenway Trail. The Greenway Trail is part of the larger Fairfax County Cross-County Trail. Three potential access points into the Adaptive Reuse site from the proposed trail are at the northern part of the site – near the retail component, at the central part of the site near the central green, and on the western portion of the site, near the Reformatory. Fencing and restricted access between the trail and the Spring Hill community will restrict trail traffic from entering Spring Hill. Additionally, there are no proposed openings in the west side of the wall bordering the Spring Hill community. Spring Hill community preferences regarding pedestrian access can be incorporated into the plan as it is implemented.

16. Laurel Hill House

a. **Do the estimates include the Laurel Hill House, or is the assumption that the Fairfax County Park Authority will take over this parcel?**

The project costs do not include the Laurel Hill House. The County prepared a Historic Structures Report for the house, with three options for reuse. The Master Plan scope of work called for linkages to the house but did not require the rehabilitation of the house as part of the overall project. The Fairfax County Comprehensive Plan recommends the incorporation of the house with the surrounding parkland. Although the house is currently owned by the Fairfax County Board of Supervisors, the Park Authority is the agency with the mechanisms and expertise for managing historic homes. Formal discussions with the Park Authority have not begun, but the Master Plan assumes that the house is not included as part of the development.

17. Historic Preservation

a. **Please identify contributing structures that are proposed for demolition.** *(Staff response)*

The Master Plan attempts to strike a balance between historic preservation and adaptive reuse of the historic structures, and financial viability to minimize the impact to the County taxpayers. It is important to note: of the approximately 70 contributing buildings, structures and three primary open space areas in the adaptive reuse area (including the towers), only nine are proposed for demolition. Three of these nine (located near the Power Plant) can be demolished without further study, per the Memorandum of Agreement. Taking these three into account, the removal of six out of 70 buildings represents preservation and adaptive reuse of approximately 91 % of the historic buildings and structures on-site. Two non-contributing buildings are

proposed to be demolished. The following identifies the buildings proposed for demolition. Any proposed demolition must meet the documentation guidelines outlined in the MOA.

6 Contributing Structures
- R-16 Officer Assembly Room (built 1921-1926)
- R-17 Control Cells (built 1920-1924)
- R-41 Dormitory 20 (built 1934)
- R-84 Storage-Program (built 1940)
- R-29 Educational Services (built 1940)
- R-26 Linen Issue (built 1928-1931)

3 Contributing Structures not requiring further consultation, per the MOA
- R-38 OFACM Shops (built 1934)
- R-76 OFACM Storage Shed (built 1940)
- R-85 OFACM Paint Shop (built 1940)

2 Non-Contributing Structures
- R-89 Program Building (built 1987)
- R-77 Check Point Entry (built 1981)

(Follow up) The response says three of the nine buildings proposed for demolition can be demolished without further study, per the MOA. However, the response to (b) below, notes that evaluation for historic tax credits will focus on the entire site. Which is the primary consideration - the MOA or the evaluation for tax credits?

Staff: The primary consideration for the evaluation of tax credits is the Secretary of Interior's Standards and Guidelines as applied to the National Register-listed buildings and spaces. The Memorandum of Agreement (MOA) is a document providing specific guidelines for site plan review, building demolition, and other procedural activities. A tax credit review considers the proposed disposition of all buildings, and new construction, on site.

The MOA lists structures that are unlikely to be adaptable or are small with a simple floor plan (Attachment B of the MOA). These buildings (including the three referenced buildings, above) do not require further documentation prior to demolition. This information may be useful in the context of the tax credit review.

b. Why are these structures proposed for demolition? What does the Alexander Company consider to be the "historic core" of the reformatory-penitentiary site?

The Alexander Company begins with the premise that all of structures built in the period of historic significance are part of the historic core. Buildings are only recommended for removal when doing so helps ensure the success and viability of a larger preservation goal. Removing these structures creates opportunities for parking and circulation that are critical to the success of the project and the renovation of the remaining historic buildings.

c. Why are these structures less historically significant than other structures?

The buildings proposed for demolition were chosen because they are located in areas that can improve the redevelopment of the overall site by providing space for parking and circulation, and because they are not part of the unique fabric of the site, such as the courtyard buildings. Several of the buildings proposed for removal have been significantly altered over time and their historical integrity compromised. A determination of historic significance is best made in conjunction with preservation stakeholders identified in the MOA.

d. How much of the penitentiary wall does the Alexander company propose for demolition and why?

The Alexander Company proposes removing enough of the wall to open the site to the community. Vehicular, pedestrian, and bike connectivity as well as visibility into and out of the site are critical to the success of the project. The Virginia Department of Historic Resources and the Fairfax County Architectural Review Board will help shape the final solution for the wall. The Master Plan recommends removing large portions of the wall on the northern and southern facades, retaining the entirety of the wall on the western side facing Spring Hill, and retaining most of the wall on the eastern facade. In any scenario, all four historic Penitentiary guard towers on the four corners of the wall, as well as the central guard block tower, will remain.

e. Under "Other Site Costs" in the draft plan, $1,050,000.00 is estimated for restoration of the penitentiary wall. Please explain what is meant by restoration, and how much of the wall is to be restored?

Retained portions of the wall will be structurally repaired and tuck pointed. Expansion joints will be added and the concrete cap on the wall will be replaced.

Under "Other Site Costs" in the draft plan, Demolition Costs include the removal of steel cellblocks in the former penitentiary buildings.

f. How many cell blocks are proposed for removal? Doesn't this require review and approval by the Virginia Department of Historic Resources and the National Park Service?

The exact architectural treatment of the cellblocks needs to be addressed with the Virginia Department of Historic Resources and NPS, however, it is anticipated that the majority will be removed. Portions of the blocks may be retained as interesting interior features reflecting the history of the site.

g. Describe your proposed adaptation of the penitentiary buildings for office use, given the restrictions against new windows for the first floor.

The proposed adaptation includes one level of office space with open ceilings. The floor will be raised approximately four feet to utilize the existing windows and allow the building mechanicals and wiring to run underneath the floor.

h. Why have you not recommended memorializing, as opposed to adaptive reuse, for any component of the reformatory-penitentiary project?

Reusing the spaces at the reformatory-penitentiary is critical to minimizing the tax burden on Fairfax County and creating an exciting and uplifting community asset. Memorializing aspects of certain components – certain prison functions or cellblocks for example – may be possible but would require review and acceptance by the review agencies for tax credits.

18. Questions for County Executive Tony Griffin

a. Please discuss the likelihood of county investment in the reformatory-penitentiary adaptive reuse project.

The County will consider direct investment in the site if necessary to ensure economic viability and the character of the development in accordance with the 16 Principles for Public Investment in Commercial Redevelopment.

b. What level or range of investment could you anticipate?

The level of investment will depend primarily upon the ability of the development to provide self funding or reimbursement to the County. The ideal situation would be to have the development fully pay for its own infrastructure, whether from outright private investment or a special tax specifically assessed to support the development, with no additional general funds or support from the County except as contemplated in the rental or sale of land or provision of tax exempt financing. The consideration of investment to fund any unfunded gap or non-reimbursable funds will depend upon the budgetary situation and the expected returns from ground rental or sale, if any, and new taxes to be derived from the development. A proforma economic plan, developed in conjunction with the presentations, provides preliminary findings. This proforma has been reviewed by a third party. Please refer to that study for additional financial information and conclusions.

19. Questions for County Debt Manager Len Wales

a. Please explain the TIF/CDA concepts that could be used to close the financial gap in the reformatory-penitentiary reuse project.

Tax Increment Financing (TIF) and a Community Development Authority (CDA) are only two examples of methods that might be used to close a development financial gap. For a TIF, a base value is set at the assessed value in the year prior to the development of a site. The development, in turn, increases the assessed value and higher assessed value results in

additional real property tax revenues. These revenues are the tax increment revenues. The County commits to reinvest a portion of the increase in real property tax revenues to encourage desired development typically by utilizing the additional revenues to support debt service for tax exempt financing to construct public infrastructure.

A CDA district is formed by agreement between the developer and the Board of Supervisors. The CDA can issue two types of bonds – TIF bonds and Special Assessment Bonds. The County sets the conditions for bond issuance but administrative costs of the CDA and County are paid from the Special Assessment on properties in the CDA.

It should be emphasized that TIFs and CDAs are but two tools that might be considered for closing a financial gap for the adaptive reuse area. It is in the best interest of the county to keep all options open for closing any potential gap.

Fairfax County has approved 16 Principles for Public Investment to ensure that partnerships under PPEA or other joint-venture agreements are in the best interest of the citizens of the county. These Principles can be found on the County's Revitalization web at http://www.fcrevit.org/programs/download/16Principles.pdf

b. What costs do the residential and commercial tenants incur under a TIF or CDA financing mechanism?

Under a TIF there are no extraordinary costs; only real estate taxes are captured in the TIF. A CDA may be funded through capturing TIF revenues, or through a special tax assessed by prior arrangement between the CDA and the Board of Supervisors. The special tax can be assessed by special assessment, a specific lien against each property payable from any source of tax revenue; or by an ad valorem tax on real property.

c. Does the County intend to maintain ownership of the entire site? If so, how do town home owners have the opportunity for appreciation in their investment?

The Master Plan proposes townhomes as "for sale" units with the remainder of the site, including the rental properties, under a long-term – or evergreen – lease. The County accepts this premise for Master Planning purposes but recognizes the need to coordinate development plans for the site with the General Services Administration (GSA), per the terms of the Quitclaim Deed. Past coordination with GSA took place as part of the Comprehensive Plan Amendment (adopted in May 2006).

Any actual transfer of property will be considered in the context of the business plan to be developed with the master developer of the site as determined to be in the best interest of the County by the Board of Supervisors.

d. How much has the County invested at the Lorton Arts Foundation's Workhouse Arts Center?

The county has spent approximately $8.3M at the Occoquan Workhouse. Fairfax County actively worked at the Workhouse preparing the site for its future use by the Lorton Arts Foundation, prior to the lease agreement with the Foundation. Work done by the County included:

- Demolition of buildings (as requested by the Lorton Arts Foundation)
- Removal of razor wire and fencing
- Site work and grading
- Asbestos surveys
- Friable asbestos abatement
- Weatherproofing and stabilization of buildings
- Removal, repair and replacement of slate roofs
- Brick and slate salvage for potential re-use
- Chimney stabilization and the storage of old chimney bricks for re-use
- Removal of coal from the power plant
- Removal of unwanted (modern) steel guard towers and Quonset hut
- Replacement of gutter and downspouts with original-style copper material
- Re-roofing and painting of the barn
- Miscellaneous door, window and building repairs
- Repair to buildings hit by lightning
- Site maintenance, mowing, and security

e. Does the County still serve as the guarantor if L.A.F experiences financial difficulty at the Workhouse?

The Board of Supervisors agreed to provide $500,000 of County funds in FY 2006 for maintenance to be matched by an equal amount from LAF. A Board contribution of $1,000,000 for FY 2007 was approved – subject to an equal match by LAF fundraising in order to qualify for the following year. The total Board commitment based on this plan would be at least $5,000,000, or $1,000,000 a year, through FY 2011.

The Board agreed to a lease back obligation of space from 5 to 10 years in the event that studio or office space cannot be leased to other tenants. A Contingency Lease becomes effective only if the LAF debt reserve is drawn down to an amount below 6 months of payments. The County is not obligated to the repayment of LAF debt, either explicit or morally.

f. It is our understanding that the Lorton Arts Foundation utilized tax-exempt bond financing. Please explain this and why it would or would not work at the reformatory-penitentiary site?

Correct, the Lorton Arts Foundation utilized tax exempt financing issued by the Fairfax County Economic Development Authority to finance the improvements for Phase 1. They are currently developing a plan for similar financing for the next phase of improvements. The bonds were purchased by a single investment bank, Wachovia (now Wells Fargo), under a negotiated form of sale. The debt service on the bonds is supported by revenues from Workhouse operations. Credit support was provided by the Board of Supervisors as noted above. A similar form of financing could be used to support the development of the Adaptive Reuse site depending upon the requirements of the business plan and the basis of the County's involvement. Tax exempt financing would only be available for public infrastructure construction. The EDA may not be necessary as the conduit issuer if a CDA is formed.

g. Please confirm that the Lorton Arts Foundation did not apply for federal historic tax credits.

Correct, LAF sought only state historic tax credit relief. Their use of tax-exempt bonds on the project did not allow them to seek federal historic tax credits.

h. To date, how much money has been spent at the entire Laurel Hill site?

To date, Fairfax County has spent approximately $44 million at the Laurel Hill site. This includes the purchase price of $4.2 million from the federal government.

- $17 million spent by the Facilities Management Department and the Department of Planning and Zoning. Expenditures include personnel, structural maintenance, structure demolition, utilities, security, maintenance, asbestos abatement, building stabilization, land use planning, and consultant services.
- $23 million spent by the Fairfax County Park Authority. Expenditures include Master Planning consulting services, golf course and clubhouse construction, park and trail development, and maintenance.

Approximately $12 million of the total amount has been spent in the adaptive reuse areas:

- $8.3 million at the Workhouse (Lorton Arts Foundation) site (adjacent to Route 123)
- $3.5 million at the Reformatory-Penitentiary site

i. To date, how much money has been spent for rehabilitation, stabilization, maintenance, security at the reformatory-penitentiary site?

Approximately $3.5M spent at the Reformatory and Penitentiary includes environmental mitigation, new roofs, and new gutters and downspouts at all of the Reformatory dormitories, a new roof and gutters on the Laundry Building, and new slate roofs, copper flashing, and gutters

and downspouts on the Guard Quarters buildings. A new grandstand roof and repairs to the structure itself are also included in the total.

j. How much money is spent annually at the reformatory-penitentiary site?

Fairfax County's Facilities Management Department manages the maintenance and security contract for the entirety of Laurel Hill. The annual cost of site security and maintenance is approximately $750,000. The Facilities Management Department estimates that approximately 80% of their time and expenditures are focused exclusively on the adaptive reuse site. This comes to about $600,000 annually, or $5.4M since the site was acquired in 2002.